

# MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

## DIVISION OF CREDIT UNIONS

### NEWSLETTER

Volume 4, Number 4

May 10, 2002

#### SMALL LOANS

It is our understanding that some credit unions may be considering increasing the amount of smaller, shorter-term loans they originate. Demand for this type of loan presently is very low in credit unions but at one time "payday" lending was extensively used. The demand for this type of loan was probably met by other convenient forms of credit such as lines of credit and credit cards.

Segments of the population do, however, continue to exhibit demand for short, onetime, convenient credit popularly known as payday loans. Credit unions should be able to participate in this market profitably if they have the necessary skills and desire.

Once a credit union decides it would like to participate in this market it must create demand or more appropriately advertise that it is engaging in this type of lending. As this type of lending program differs from others, the credit union must assure the program is controlled, in compliance with applicable law, and profitable. Legislation is being considered by the General Assembly that would affect this type of loan and applicable interest rates and other charges. Credit unions must ensure they are in compliance with interest and fees collected.

To meet the goals listed above this type of lending is inherently an expensive way to borrow. Credit unions, which are concerned with the economic welfare of their members, should make every effort to convert these borrowers to more affordable credit if they meet the guidelines for alternative financing.

Should you have questions or wish to discuss payday lending further please contact the Division of Credit Unions.

#### CREDIT UNION COMMISSION MEETS

The Credit Union Commission met on May 9, 2002 in Jefferson City. Commission members in attendance were Pat Yokley, Bill Humpfer, Sharon Ichord, Cathy Stroud, Pat Macdonald, Lori Levine and John Hanneke. Others attending were Peggy Nalls, Missouri Credit Union System, Todd Jones, Mike Wambolt and Christy

Kincannon, Attorney General's Office, Zurett Merridith, and John P. Smith, Division of Credit Unions.

The Commission established the briefing schedule for appeal of the Director's decision approving the City Utilities Credit Union field of membership expansion. Appellants brief is due May 31, 2002 with reply briefs by all parties due June 10, 2002. After receipt of briefs, a conference call will be scheduled to hear the appeal.

The Commission received several reports:

- ✓ Condition report of Missouri chartered credit unions
- ✓ Passage of legislation by the General Assembly staggering the terms of Credit Union Commission members and extending the examination time for qualifying credit unions to as long as eighteen months
- ✓ State and federal legislative update
- ✓ Comparison of regulatory relief recommendations for federal credit unions with existing Missouri credit union statutes and rules

The next Commission meeting is scheduled for August 8, 2002 in Jefferson City, Missouri.

#### FIELD OF MEMBERSHIP APPLICATION UPDATE

**Springfield Telephone Employees Credit Union** (now **Telcomm Credit Union**) submitted an application to include those persons who reside or work in the 417 telephone Area Code and the 573 (bordered on the north by I-70) telephone Area Code. The Director approved the expansion of **Springfield Telephone Employees Credit Union** to those in the 417 Area Code, but not the 573 Area Code. The decision was published in the November 15, 2000 Missouri Register. On November 30, 2000 the Missouri Bankers Association (MBA) and Century Bank of the Ozarks (CBO) filed an appeal of the decision to the Credit Union Commission. The Commission heard the appeal on March 29, 2001. On May 24, 2001 the Commission upheld the decision of the Director. On August 16, 2001, the decision was released and the Director filed **Springfield Telephone Employees Credit Union's** amended bylaws with the Secretary of State. On September 14, 2001, the MBA and CBO filed a petition for administrative review in Cole County Circuit Court. On November 19, 2001, a hearing was held before Judge Tom Brown, Division 1, Circuit Court of Cole County. The

motion to refer the case to another division of the court was granted and the case was referred to Judge Byron Kinder, Division 2. A motion to dismiss the case for lack of standing was heard on January 3, 2002. On January 29, 2002 the court ruled the plaintiffs lack standing to maintain causes of action set forth in their petition and ordered the plaintiffs' petition be dismissed. On March 11, 2002 the MBA and CBO filed an appeal of the decision in the Western Appellate Court of Appeals. Appellant's briefs are due June 3, 2002 with the respondent's briefs due July 3, 2002. Disposition of the case can be followed on the internet at <http://casenet.osca.state.mo.us/casenet/> case number WD61134.

**South Community Credit Union** submitted an application for those who work or reside in Zip Codes 63109, 63111, 63116, 63123, 63125, 63128, 63129, and Crawford County, Franklin County, Gasconade County and Washington County. **Central Communications Credit Union** submitted an application for those persons who reside or work in the 816 telephone Area Code. The Director approved the applications submitted by **South Community and Central Communications Credit Unions**. These decisions were published in the November 15, 2000 Missouri Register. On November 30, 2000 the MBA and two local banks located in each of the two applicants' field of membership expansion areas filed appeals of the decisions to the Credit Union Commission. The Commission received the record of appeals from all parties on May 24, 2001. On August 9, 2001 the Commission upheld the decisions of the Director. The written decisions were released on January 25, 2002. On February 21, 2002, the MBA and the local banks filed a petition for administrative review in Cole County Circuit Court. Both cases were assigned to Judge Tom Brown, Division 1. On April 17 the cases were reassigned to Judge Byron L. Kinder, Division 2 and a motion was entered to stay the proceedings until the outcome of the Springfield Telephone Employees case was decided. The cases can be followed on the internet at <http://casenet.osca.state.mo.us/casenet/>; the case numbers are 02CV323402 and 02CV323401.

**Gateway Metro Credit Union** submitted an application for those living or working in the Missouri counties of St. Louis, St. Charles and Jefferson. The application was published in the December 15, 2000 Missouri Register. The Director approved the application and his decision was published in the February 15, 2001 Missouri Register. On March 1, 2001 the MBA and a local bank located in the applicant's field of membership expansion area filed an appeal of the decision to the Credit Union Commission. On March 1, 2002, the application was withdrawn rendering the appeal moot and an application for residents and employees in the Missouri counties of St. Louis and St. Charles submitted. The application was published in the April 15, 2002 Missouri Register. The Director approved the application and his decision will be published

in the June 3, 2002 Missouri Register. A fifteen day period must occur before the decision is final.

**Educational Employees Credit Union** submitted an application for those who live or work in St. Louis County, St. Charles County, Jefferson County, Cape Girardeau County and Franklin County. The application was published in the December 15, 2000 Missouri Register. The Director approved the application and his decision was published in the February 15, 2001 Missouri Register. On March 1, 2001 the MBA and two banks located in the applicant's field of membership expansion area filed an appeal of the decision to the Credit Union Commission. The Commission received the record of appeal of **Educational Employees Credit Union** on October 19, 2001 and established briefing schedules. On March 5, 2002, the Commission dismissed the appeal due to lack of standing.

**City Utilities Credit Union** submitted an application for community residents and workers in Greene and Christian Counties. The application was published in the June 1, 2001 Missouri Register. The Director approved the application and his decision was published in the August 1, 2001 Missouri Register. On August 14, 2001 the MBA and a local bank located within the applicant's field of membership expansion area filed an appeal of the decision to the Credit Union Commission. The Commission has established the briefing schedule for the appeal and will schedule a conference call meeting to hear the appeal.

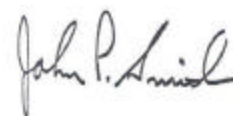
**JC Federal Employees Credit Union** submitted an application for family members of members. The application was published in the March 1, 2002 Missouri Register. The Director approved the application and his decision was published in the April 15, 2002 Missouri Register. The decision is now final.

CommunityAmerica Credit Union submitted an application for those who live or work in Jackson County. The application will be published in the June 3, 2002 Missouri Register. A ten business day comment period must occur before the director can make a decision.

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FROM THE DIRECTOR

Recently we compared pending federal regulatory relief legislation with Missouri statutes and rules and found that generally the areas addressed already are in effect in Missouri.



John P. Smith, Director